Financial Statement
1998-99

Saskatchewan Learning
Resources Distribution Centre

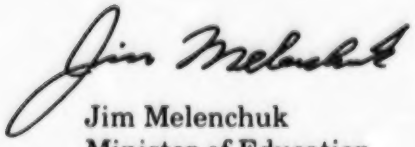
Letter of Transmittal

The Honourable L. Haverstock
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit for your consideration the Financial Statements of the Learning Resources Distribution Centre for the year ending March 31, 1999.

Respectfully submitted:



Jim Melenchuk
Minister of Education

100-04224/

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 1999

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Learning Resources Distribution Centre Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/deficit, and of changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelioff

Regina, Saskatchewan
December 6, 1999

Wayne Strelioff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS

	1999	1998
Current:		
Petty Cash	$ 2,100	$ 2,100
Accounts receivable	298,292	277,396
Prepaid expenses	3,777	5,106
Inventories	2,433,912	2,667,123
	2,738,081	2,951,725
Capital Assets (Note 5)	337,669	380,869
	$ 3,075,750	$ 3,332,594

LIABILITIES AND EQUITY

Current Liabilities:		
Accounts Payable and accrued liabilities	$ 77,950	$ 155,231
Customers' deposits and credits	20,039	58,943
	97,989	214,174
Non-current liabilites:		
Accumulated net expenditures (Statement 3)	3,049,039	3,019,671
Fund Equity:		
Accumulated operating surplus/(deficit) (Statement 2)	(71,278)	98,749
	$ 3,075,750	$ 3,332,594

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND

STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT

For the Year Ended March 31

	1999		1998
	Actual	Budget (Note 10)	Actual
Revenue:			
Sales	$3,629,693	$ 4,500,000	$ 4,542,140
Less: Cost of goods sold	3,116,782	4,005,000	3,965,587
Gross profit	512,911	495,000	576,553
Other Income	13	30	25
WCP Project revenue (Note 12)	248,750	65,000	121,533
	761,674	560,030	698,111
Operating expenses:			
Salaries	401,095	354,000	372,752
Amortization	101,899	78,000	18,369
Postage	49,233	36,000	44,396
Office and warehouse expense	45,960	44,000	44,620
Computer support and maintenance	102,920	60,000	26,188
Freight and express out	11,910	24,000	21,652
Other	11,676	13,500	17,326
WCP Project expense	207,008	65,000	121,533
	931,701	674,500	666,836
Net Income (loss) (Note 14)	(170,027)	(114,470)	31,275
Accumulated operating surplus, beginning of year	98,749	16,604	67,474
Accumulated operating surplus, paid to General Revenue Fund	0	0	0
Accumulated operating surplus/(deficit) end of year - to Statement 1	$ (71,278)	$ (97,866)	$ 98,749

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND

STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE

For the Year Ended March 31

	1999	1998
Financing (provided by) required for operating activities:		
Net (income) loss	$ 170,027	(31,275)
Items not affecting working capital		
amortization	(101,899)	(18,369)
gain (loss) on disposal of capital assets	(2)	(2,968)
Net increase (decrease) in working capital items related to operations (Note 7)	(98,713)	276,460
	(30,587)	223,848
Financing (provided by) required for investing activities:		
Purchase of capital assets	58,751	362,300
Proceeds from sale of capital assets	(47)	(8,353)
	58,704	353,947
Net increase in financing requirements	28,117	577,795
Assets transferred to Revolving fund at no cost during year (Note 9)	1,251	4,268
Accumulated net expenditure, beginning of year	3,019,671	2,437,608
Accumulated net expenditure, end of year - to Statement 1	3,049,039	3,019,671

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Entity

The authority for this Revolving Fund is contained in section 10(4) of *The Education Act, 1995*. *The Education Act, 1995* was amended to change the name of the Saskatchewan Book Bureau Revolving Fund to the Saskatchewan Learning Resources Distribution Centre Revolving Fund. The purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund is to finance and to provide a system of accounting for the purchase, sale and distribution of such school textbooks, workbooks, reference textbooks, related print and non-print materials as recommended by the Department of Education for use in Saskatchewan schools, and to serve as distributor and sales agent for publications and materials of the Department of Education.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the statement of changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant:

a) Basis of Accounting

The accounts are maintained on an accrual basis of accounting.

b) Net Expenditure/(Recovery)

The net cash expenditure/(recovery) is the cash from /to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

c) Accumulated Net Expenditure

The accumulated net expenditure of the Fund includes the following:

i) Amounts due to the Minister of Finance as at March 31, 1982, and assumed by the Revolving Fund in respect of working capital advances.

ii) Net cash expenditure/(recovery) for each fiscal year; and

iii) The book value of assets acquired at no cost from another government agency.

d) Amortization

Amortization is provided on office and warehouse equipment on a straight-line basis at an annual rate of 10% of acquistion value. Computer software costs are amortized at an annual rate of 25% from the date the software becomes operational. Computer equipment is amortized on a straight-line basis at an annual rate of 25% of acquistion value.

e) Inventory Valuation

Inventory is valued at the lower of average cost and net realizable value.

f) Pricing Policy

The Revolving Fund's sales catalogue of books and educational materials and the retail list prices of the items therein are revised periodically by the management with a view to operating the Revolving Fund as close to the break even point as possible. For the 1997 to 1999 years, the retail list price of publications was based on invoice cost plus up to 16.5%.

3. Authorized Financing

Section 10(10) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 11/85, the maximum amount has been set at $4,000,000.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with section 10(6) of *The Education Act, 1995* the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus (deficit) for the Learning Resources Distribution Centre Revolving Fund shall be $150,000. Treasury Board has also specified that if at the end of the fiscal year the accumulated surplus (deficit) exceeds the maximum, then any surplus (deficit) in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid into (from) the General Revenue Fund.

5. Capital Assets

	1999			1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office Equipment	$ 4,553	$ 4,342	$ 211	$ 403
Warehouse Equipment	65,797	44,985	20,812	23,442
Computer Software	267,217	261,988	5,229	7,371
Computer Equipment	413,034	101,617	311,417	349,653
	$ 750,601	$ 412,932	$ 337,669	$ 380,869

Amortization provided in the financial statements for the current year amounted to $101,899 (1998 - $18,369).

6. Costs Borne by Other Agencies

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

7. Net Change in Working Capital Items Related to Operations

	1999	1998
(Decrease)/increase in accounts receivable	$ 20,896	$ 125,374
(Decrease)/increase in prepaid expenses	(1,329)	4,209
(Decrease)/increase in inventories	(234,465)	300,449
Decrease/(increase) in accounts payable	116,185	(153,572)
	$ (98,713)	$ 276,460

8. Related Parties

These financial statements include transactions with related parties. The LRDC Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Transfer of Inventory

The Department of Education transferred inventory items valued at $1251 (1998 - $4268) to the Revolving Fund at no cost.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. WCP Project

Western Canadian Protocol for Collaboration in Basic Education -- Manitoba Education and Training has contracted Saskatchewan Education to provide a staffed facility and related services for the evaluation of learning resources that support the curriculum framework developed by this collaboration.

13. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sentsitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 date is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Amount Report in Public Accounts

The net recovery of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving fund and the General Revenue Fund:

	1999	1998
Net income/(loss) from operations	$ (170,027)	$ 31,275
(Increase)/decrease in inventory balance	233,212	(304,718)
(Increase)/decrease in net capital assets	43,197	(332,610)
Prior year's income transferred to General Revenue Fund	0	0
Amounts not included in Public Accounts, due to timing	(36,049)	(11,961)
(Net financing requirement)/recovery, reported in the Public Accounts	$ 70,333	$ (618,014)